



Strategic Planning Session

January 2006



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Introduction

The Commission will hold its tenth annual Strategic Planning Session on January 27, 2006. Orange County LAFCO has annually conducted a strategic planning session since 1996. During the 2005 session, the Commission adopted a three-year strategic plan for the years 2005-2007. Adoption of a three-year strategic plan allowed the Commission and staff to more proactively plan for long-range projects, prioritize staff's efforts, and ensure the most efficient allocation of resources. During the 2006 session, the Commission will review the past year's accomplishments and unfinished goals and adopt an annual work plan for 2006.

The proposed 2006 work plan is based on the three-year strategic plan, which assessed changes in Orange County affecting LAFCO. Since 1990, the unincorporated areas and population have decreased by 39 square miles and 40% respectively. There is little land left for large-scale developments, and as a result, the boundaries of agencies are relatively stable. Over the past ten years, annexations, detachments, and reorganizations of unincorporated territory occupied a large amount of LAFCO staff time, but changes in Orange County's development and demographics will significantly affect LAFCO's future work. It is expected that MSRs/SOIs and other organizational boundary changes, which have occupied most of LAFCO staff's time, will decrease, allowing LAFCO to focus on more proactive, collaborative efforts.

Islands

The Unincorporated Islands Program will sunset in January 2007. Of the 50 small islands identified at the start of the program, 26 have been annexed with another 15 more expected in 2006. The annexation of the larger unincorporated islands (those over 150 acres in size) has been less successful primarily due to resident opposition, the fiscal dis-incentives for annexation of developed areas, the cost of addressing infrastructural deficiencies, and differences in land use and zoning. The defeat of the Southwest Anaheim island annexation is a classic example of the issues affecting large island annexations.

Municipal Service Review (MSR) and Sphere of Influence (SOI)

The new legislative deadline for completion of all MSRs/SOIs is January 1, 2008. Orange County LAFCO will meet that deadline.



Budget

LAFCO adopted a three-year budget in 2005 which projected a 6% increase each year. The increased costs are primarily attributed to retirement and health insurance benefits as well declining filing fees. LAFCO staff continues to reduce costs, but the need to balance apportionments from agencies and rising costs will lead to an eventual reduction in the budget.

However one of Orange County LAFCO's strengths is a highly-experienced and knowledgeable staff that is able to work on a variety of projects and in difficult situations. But, as with all agencies, personnel costs at LAFCO are rising, and the Commission must balance the need to retain staff with rising costs. The Commission will inevitably face the need for staff changes within the next two to three years. An alternative to reducing staff is working with other LAFCOs in adjacent counties as additional staff help is needed. San Bernardino LAFCO has already contacted Orange LAFCO staff to discuss the issue and staff believes this is both administratively efficient and strategic on a regional scale.



Review of 2005 Work Plan

The Commission's 2005 Work Plan concentrated on the completion of municipal service reviews and sphere of influence updates. No MSRs or SOIs had been completed at the start of 2005, although staff had finished a comprehensive stakeholder working process for both prototype areas. By the end of 2005, however, staff had completed approximately 60% of the MSRs/SOIs for special districts and 40% for the cities.

The MSR process was evaluated and improved to enhance communication between the agencies and LAFCO, especially in the designation of spheres of influence. The Commission updated its sphere policy and added the "transitional sphere" designation.

LAFCO also received several unexpected major proposals, including the Southwest Anaheim island annexation, which required extensive staff time. LAFCO approved the last Talega annexations to the City of San Clemente and completed multiple annexations to the Orange County Sanitation District. Further, the Commission approved several projects that had been Commission priorities for several years (e.g., the Tonner Hills annexation to the City of Brea and the Laguna Niguel Community Services District dissolution).

Staff made substantial progress on many administrative tasks. An improved and updated computerized mapping application, digital archive filing system, comprehensive policies and procedures manual, revised fee schedule, and new system for tracking staff time were all implemented. The Commission adopted a multi-year budget, and staff started work on reducing the cost of benefits.

The Commission also identified communication with elected officials, agencies, communities, and industry associations as a priority. Throughout 2005, LAFCO staff made a concerted effort to meet with key legislators, agency boards and staff, and city councils to explain policies, procedures and goals.



Municipal Service Reviews/Spheres of Influence (2005)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Status</i>
Orange MSR	January 2004	March 2005	✕ Completed ✕
Rossmoor MSR	January 2004	March 2005	✕ Completed ✕
Prototype MSR Evaluation Summary Report	On-going	June 2005	✕ Completed ✕
Reactivate Cities and Special Districts Advisory Committee	March 2005	Ongoing	The Commission later recommended against reactivation due to intensive nature of MSR process.
South County MSR and SOI	January 2005	February 2006 December 2005	Stakeholder working group completed work; MSR and SOI report to Commission in February 2006.
North County Inland	April 2005	November 2005; March 2006	MSR and SOI for Brea completed; City of Yorba Linda and Yorba Linda Water District MSR/SOI scheduled for March 2006 hearing.
Additional Projects Completed			
Orange County Cemetery District MSR and SOI	July 2005	November 2005	✕ Completed ✕
Orange County Vector Control District MSR and SOI	July 2005	November 2005	✕ Completed ✕
Buena Park Library District MSR and SOI	July 2005	November 2005	✕ Completed ✕
Placentia Library District MSR and SOI	July 2005	November 2005	✕ Completed ✕
City of Irvine MSR and SOI		October 2005	✕ Completed ✕
City of Laguna Niguel MSR and SOI		April 2005	✕ Completed ✕
Surfside Community Services District MSR and SOI		September 2005	✕ Completed ✕
Surfside Storm water Protection District MSR and SOI		September 2005	✕ Completed ✕



Reorganizations/Annexations (2005)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Status</i>
Dissolution of Laguna Niguel CSD	February 2005	May 2005	✕ Completed ✕
Tonner Hills Annexation	April 2005	December 2005 November 2005 September 2005	✕ Completed ✕
Dissolution of CSA 20	March 2005	May 2005	✕ Completed ✕
Santiago Hills Annexation	July 2005	December 2005	✕ Completed ✕
Santa Grove Self Storage Reorganization	November 2004	February 2005	✕ Completed ✕
Columbus Grove Reorganization	July 2004	April 2005	✕ Completed ✕
Whispering Hills Reorganization	October 2004	August 2005	✕ Completed ✕
Additional Projects Completed			
East Orange I Reorganization		December 2005	✕ Completed ✕
MWDOC/Fullerton Reorganization		February 2005	✕ Completed ✕
Sanford Annexation (OCSD)		March 2005	✕ Completed ✕
Bollen Annexation (OCSD)		April 2005	✕ Completed ✕
Ellis Annexation (OCSD)		May 2005	✕ Completed ✕
Talega #34 Annexation (City of San Clemente)		July 2005	✕ Completed ✕
Talega #35 Annexation (City of San Clemente)		July 2005	✕ Completed ✕
Planning Area 1 Annexation (City of Irvine)		July 2005	✕ Completed ✕
Talega #33 Annexation (City of San Clemente)		August 2005	✕ Completed ✕
Talega #37 Annexation (City of San Clemente)		August 2005	✕ Completed ✕
West Annexation (OCSD)		August 2005	✕ Completed ✕
McCreay Annexation (OCSD)		August 2005	✕ Completed ✕
Walsh Annexation (OCSD)		September 2005	✕ Completed ✕
Jamal Annexation (OCSD)		November 2005	✕ Completed ✕



Island Annexations (2005)

<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Status</i>
La Habra	June 2005	Unknown	13 small islands. Agreement reached between city and County in December 2005; application expected early 2006.
Costa Mesa/Newport Beach	September 2003	Unknown	LAFCO staff met with Costa Mesa city council subcommittee and attended community meetings; no further progress to-date.
San Juan Capistrano	July 2005	Unknown	City is expected to submit application in spring of 2006
Anaheim	March 2005	August 2005	✕ Completed; terminated due to protest ✕
Placentia	September 2005	Unknown	Fiscal study updated

Administrative Functions (2005)

<i>Projects</i>	<i>Month Started</i>	<i>Month of Completion</i>	<i>Status</i>
Implement Geographic Information Systems (GIS) and database efforts	Ongoing	June 2005	✕ In progress ✕
Policies and Procedures Updates	Ongoing	February 2005	✕ Completed ✕
Fee Schedule Revision	November 2004	April 2005	✕ Completed ✕
Additional Work Completed			
Updated Application form		July 2005	✕ Completed ✕
Archiving			Work halted due to budget constraints.
Internal Procedures Manual	October 2005	April 2006	✕ In progress ✕
Time sheets converted to electronic format; staff tracking time according to project			✕ Completed ✕
CEQA Guidelines Updated and Adopted		May 2005	✕ Completed ✕
Annual Audit	September 2005	December 2005	✕ Completed ✕
Agency Investment Policy Implementation Options	August 2005	October 2005	✕ Completed ✕



Outreach & Education (2005)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Completion</i>	<i>Status</i>
LAFCO 101 Workshops	Ongoing		Made presentations to the Cities of Huntington Beach and Mission Viejo as well as the Garden Grove Sanitary District, Santiago County Water District, East Orange Water District, Placentia Library District, Buena Park Library District, and communities of Sunset Beach and Coto de Caza.
OCLS	Ongoing		✕ Completed ✕
Legislative Outreach	Ongoing		Met with five legislators and field staff (Umberg, Tran, Dunn, Harman, Walters); all Orange County legislators placed on mailing lists for LAFCO agendas.



Proposed 2006 Work Plan

The work plan for 2006 is ambitious. During the first three months of the year, LAFCO staff will complete the MSR/SOIs for 13 agencies while also starting the MSR/SOI process for an additional 16 agencies. The MSR/SOIs recommended for 2006 involve areas with long standing issues. The central area of Orange County, with two large islands, strong community groups, and some service issues, will undoubtedly be contentious and difficult. However, the previous MSR/SOIs were successful in encouraging discussions among stakeholders and similar results are expected for this area of Orange County.

The other recommended MSR/SOIs include the Cities of Costa Mesa and Newport Beach, which have a joint committee comprised of city council members to discuss border issues. Staff hopes that the MSR/SOI process may help advance those discussions. Finally, this year's work plan includes MSR/SOIs for both the Municipal Water District of Orange County (MWDOC) and the Orange County Water District (OCWD) in anticipation of possible subsequent annexations and/or reorganizations. LAFCO staff will also continue to report back to the Commission on previously approved reorganizations as a means of informing future decisions.

Spheres of influence will continue to be an issue for Orange County LAFCO as the spheres are updated, sometimes for the first time in over 20 years. The Commission may want to discuss the application of sphere of influence designations during the 2006 Strategic Plan session. A copy of LAFCO's sphere of influence policy has been included as Appendix B.

A summary of the 2006 work plan, where different from the three-year strategic plan, is noted below.

- **Islands**—Staff is working with the Cities of Placentia and La Habra on the potential annexation of one and 13 small islands respectively. The annexation of these 14 islands, if initiated by the cities, will require approximately 50% of one staff position for the entire year.
- **Other Projects**—Anticipated reorganizations include the consolidation of the Santiago County Water District and Irvine Ranch Water District, proposed annexations to the Orange County Sanitation District and Orange County Water District, a large annexation to the City of Irvine, and the possible



formation of a new governmental entity as a result of the South County MSR effort.

- **Skills Development**—Orange County LAFCO should continue the momentum of the Orange County Leadership Symposium (OCLS) and organize a series of four workshops teaching negotiation, mediation, and facilitation led by an outside trainer. All of these skills are increasingly necessary for LAFCO staff. Staffs from cities and special districts will be invited to join the training as space is available.
- **Long-Term Budget Strategy**—Orange County LAFCO adopted a three-year budget that linked fiscal resources to specific Commission priorities. LAFCO staff is now tracking the hours each staff member spends on specific projects, and charged fees will reflect actual costs. A budget increase of approximately 6% is projected for the 2006-07 fiscal year.



Spheres of Influence (2006)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
South County MSR/SOI	January 2005	February 2006	MSR and SOI report to Commission in February 2006
Cities of Los Alamitos, Huntington Beach and Seal Beach, Los Alamitos/Rossmoor SD, and Sunset Beach SD	January 2006	March 2006	Complete spheres from MSR efforts begun in 2004. This will also include a MSR/SOI for the City of Huntington Beach.
City of Yorba Linda and Yorba Linda Water District MSR/SOI	November 2005	March 2006	Continued effort from previous work plan

Municipal Service Reviews/Spheres of Influence (2006)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
Central Orange County MSR/SOI—Cities of Westminster, Garden Grove, Anaheim, Fountain Valley, Santa Ana, and Stanton; Midway City and Garden Grove Sanitary Districts	February 2006	November 2006	Will require facilitator and consulting help to complete MSR and stakeholder working group process.
Cities of Costa Mesa and Newport Beach; Costa Mesa Sanitary District and Mesa Consolidated Water District MSR/SOI	November 2006	February 2007	In-house
Orange County Water District MSR/SOI and possible annexations	April 2006	December 2006	Will require facilitator, consulting help, and possible financial contributions from agency to complete MSR and stakeholder working group process.
Municipal Water District of Orange County MSR/SOI	June 2006	December 2006	Will require facilitator, consulting help, and possible financial contributions from agency to complete MSR and stakeholder working group process.
Harbors, Beaches, and Parks County Service Area (CSA) #26	January 2006	February 2006	In-house



Reorganizations/Annexations (2006)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
Fullerton Detachment from Buena Park Library District	April 2006	August 2006	May be submitted as a complete reorganization.
Planning Area 5B/9B Annexation (City of Irvine)	June 2006	December 2006	
Reorganization of Irvine Ranch Water District and Santiago County Water District	March 2006	June 2006	
Continue Audits of Previous LAFCO Approvals		Ongoing	

Island Annexations (2006)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
Placentia	February 2006	November 2006	May require completion of MSR/SOI.
La Habra	March 2006	December 2006	May require completion of MSR/SOI.
San Juan Capistrano	February 2006	June 2006	

Administrative Functions (2006)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
Policies and Procedures Update	Ongoing	February 2006	Annual update
Convene group to revise definitions of "developed" areas as contained in Master Property Tax Agreement.	Januarys 2006	December 2006	



Administrative Functions (2006)

<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
Continue update of GIS system; training of all staff completed	January 2006	December 2006	
Institute cafeteria plan for benefits	January 2006	March 2006	
Fee Schedule Revision	November 2004	April 2005	Annual update in preparation for budget
Annual Audit	September 2006	December 2006	
Discussions with adjacent LAFCOs regarding staffing	Ongoing	Ongoing	

Outreach & Education (2006)

<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
LAFCO 101 Workshops	Ongoing	As requested	Hold necessary LAFCO 101 workshops for city councils and district board members.
OCLS	Ongoing	January 2006	Work with other agencies on OCLS.
Mediation/Facilitation Training	January 2006	January 2007	Hold a series of 4 training workshops for LAFCO, County, city and special district staffs.
Legislative Outreach	Ongoing		Continue to meet with legislators and field staff.

Mid-Year Update

Staff recommends that the Commission use the June 7th, 2006¹ scheduled LAFCO meeting as “Mid-Year Strategic Plan Update.” This will provide a forum for the Commission to discuss progress made on the strategic plan and to consider possible revisions to the plan.

¹ Note: Change in LAFCO Commission meeting date



Proposed 2007 Work Plan

Municipal Service Reviews/Spheres of Influence (2007)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
North Central MSR/SOI – the Cities of Buena Park, Cypress, Fullerton, La Palma, La Habra, Placentia, and CSAs # 13 and #20	January 2007	November 2007	MSR would also look at County boundary between Orange and Los Angeles Counties for recommendations for possible changes
South County MSR/SOI— Cities of Aliso Viejo, Dana Point, Laguna Beach, Laguna Hills, Laguna Woods, and Lake Forest as well as the South Coast Water District, Moulton Niguel Water District, El Toro Water District Capistrano Bay CSD, Laguna Beach Water District, and CSA #4	January 2007	November 2007	
Plan for 2008-2012 MSR/SOI schedule	June 2007	December 2007	Anticipate re-affirming MSR/SOI for agencies with no issues identified.

Reorganizations/Annexations (2007)			
<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
No specific reorganizations are anticipated at this time.			



Island Annexations (2007)

<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
The provisions of AB 1555 will expire on January 1, 2007; no additional island annexations are anticipated unless legislation is extended.			

Administrative Functions (2007)

<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
Policies and Procedures Updates	Ongoing	February 2007	Annual update
Develop database of agencies for long-term MSR process as part of continuing archiving project	January 2007	December 2007	
Fee Schedule Revision	November 2006	April 2007	Annual update in preparation for budget
Reclassify staff positions/reorganize office	January 2007	January 2008	

Outreach & Education (2007)

<i>Projects</i>	<i>Month Started</i>	<i>Month of Hearing</i>	<i>Notes</i>
LAFCO 101 Workshops	Ongoing		Hold LAFCO 101 workshops for city councils and district board members.
OCLS	Ongoing		Work with other agencies on OCLS.
Mediation/Facilitation Training	January 2007	December 2007	Continue training workshops if previous year's training successful.
Legislative Outreach	Ongoing		Continue to meet with legislators and field staff.



Appendix A—Analysis of Revenues & Expenditures

Analysis of Revenues and Expenditures for the Years ended June 30, 2003 through 2005

Over the last three fiscal years, revenues have decreased by 1%. Assessment revenues have remained constant while filing fees and interest income have declined.

Expenditures have increased by \$28,335 (3%) over the last three fiscal years. Benefits and salaries have increased \$75,373 and other costs have decreased by \$47,039.

Salaries and Benefits

Salaries increased by \$29,476 (6%) due to staff raises and promotions. Retirement benefits have increased by \$32,414 (58%) as a result of increases in LAFCO's required retirement contributions. The retirement contributions are set by the County of Orange and have increased drastically due to declines in the market value of investments underlying retirement funds and lower than expected investment earnings. The increase in the cost of retirement benefits does not result from the enhanced formula adopted by the Commission; employees are paying for the cost of those benefits.

Health insurance benefits have increased by \$11,467 (31%) as a result of increases in premiums. LAFCO uses the County's health insurance plans and does not have control over this cost.

Other Operating Costs

The most significant increase in other costs during the last three years is for the Municipal Service Review Program. Over \$94,000 was been spent on MSR projects in the last two years.

There has been a steady decline in professional service charges from \$184,085 in the year ended June 30, 2003 to \$107,909 in the year ended June 30, 2005. Professional fees are expected to vary depending on specific LAFCO projects and the need for expertise.




	<u>6/30/03</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>Total</u> <u>Change</u>	<u>Total %</u> <u>Change</u>	<u>Average</u> <u>%</u> <u>Annual</u> <u>Change</u>
Revenues:						
Assessment	930,920.00	930,920.00	930,920.00	-	0%	0%
Filing Fees	68,487.16	42,855.48	66,127.26	(2,359.90)	-3%	-2%
Interest	<u>17,875.00</u>	<u>11,738.60</u>	<u>10,593.16</u>	<u>(7,281.84)</u>	<u>-41%</u>	<u>-20%</u>
Total Revenues	<u>1,017,282.16</u>	<u>985,514.08</u>	<u>1,007,640.42</u>	<u>(9,641.74)</u>	<u>-1%</u>	<u>0%</u>
Expenditures:						
Salaries	485,178.95	499,245.49	514,654.79	29,475.84	6%	3%
Retirement	56,046.56	70,925.82	88,460.17	32,413.61	58%	29%
Exec Def Comp	4,043.21	2,502.54	3,152.11	(891.10)	-22%	-11%
Unemployment Ins	679.01	735.14	682.66	3.65	1%	0%
Salary Continuance	2,598.50	2,525.49	2,488.07	(110.43)	-4%	-2%
Health Insurance	37,167.67	45,693.85	48,634.50	11,466.83	31%	15%
Dental Insurance	5,142.57	2,462.11	4,562.10	(580.47)	-11%	-6%
Life Insurance	1,051.44	477.56	1,042.07	(9.37)	-1%	0%
Acc Death Ins	205.05	87.77	184.75	(20.30)	-10%	-5%
Other Insurance	692.07	364.50	55.15	(636.92)	-92%	-46%
Worker's Comp	2,215.54	3,274.00	5,229.00	3,013.46	136%	68%
Medicare	5,976.47	5,749.83	5,629.97	(346.50)	-6%	-3%
Optional Benefit Plan	<u>14,780.03</u>	<u>2,486.14</u>	<u>16,375.00</u>	<u>1,594.97</u>	<u>11%</u>	<u>100%</u>
Subtotal Salaries & Benefits	615,777.07	636,530.24	691,150.34	75,373.27	12%	6%
Information Technology	1,844.10	7,428.99	3,679.59	1,835.49	100%	50%
Telephone	15,042.17	13,036.96	5,612.48	(9,429.69)	-63%	-31%
County Charges	-	2,760.80	2,997.15	2,997.15	100%	100%
Insurance	29,104.00	12,819.75	10,377.82	(18,726.18)	-64%	-32%
Repairs and Maintenance	5,271.85	12,274.83	2,367.74	(2,904.11)	-55%	-28%
Membership	2,070.00	5,075.00	8,186.14	6,116.14	295%	148%
Municipal Service Reviews	-	30,047.77	64,322.04	64,322.04	100%	100%
Office Expense	35,651.67	27,127.56	28,056.52	(7,595.15)	-21%	-11%
Professional Services	184,084.98	147,265.88	107,909.18	(76,175.80)	-41%	-21%
Investment Fees	1,207.96	933.29	454.72	(753.24)	-62%	-31%



				Total	Total %	Average % <u>Annual</u> <u>Change</u>
	<u>6/30/03</u>	<u>6/30/04</u>	<u>6/30/05</u>	<u>Change</u>	<u>Change</u>	
Postage and Public Noticing	3,421.56	5,893.20	1,067.16	(2,354.40)	-69%	-34%
Rents & Leases	5,086.38	8,367.43	32,091.31	27,004.93	531%	265%
Special Dept Exp	13,130.61	21,359.25	16,769.12	3,638.51	28%	14%
Transportation	12,158.74	13,545.99	16,430.20	4,271.46	35%	18%
Meeting Expenses	28,313.58	12,617.24	7,205.15	(21,108.43)	-75%	-37%
Utilities	<u>19,914.61</u>	<u>7,486.84</u>	<u>1,737.14</u>	<u>(18,177.47)</u>	<u>-91%</u>	-46%
Total Expenditures	<u>972,079.28</u>	<u>964,571.02</u>	<u>1,000,413.80</u>	<u>28,334.52</u>	3%	1%
Total Revenues over (under) expenditures	<u>45,202.88</u>	<u>20,943.06</u>	<u>7,226.62</u>	<u>(37,976.26)</u>	-84%	-42%
Transfers in	-	6,589.60	-			
Transfers out	<u>-</u>	<u>(29,208.52)</u>	<u>-</u>			
Total other financing sources (uses)	<u>-</u>	<u>(22,618.92)</u>	<u>-</u>			
Change in fund balance	45,202.88	(1,675.86)	7,226.62			
Beginning fund balance	<u>226,125.00</u>	<u>271,327.88</u>	<u>269,652.02</u>			
Ending fund balance	<u>271,327.88</u>	<u>269,652.02</u>	<u>276,878.64</u>			



Appendix B—Sphere of Influence Policy

	POLICIES & PROCEDURES of the ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION		
	SUBJECT:	Sphere of Influence Policy	
	Date Approved by the Commission:	Original: 10/02/1996 Revised: 10/12/05, 07/13/2005, 02/09/2005	Date of last Revision: 10/12/05

I. LEGAL AUTHORITY

The California Government Code §56425 states in part:

In order to carry out its purposes and responsibilities for planning and shaping the logical and orderly development and coordination of local governmental agencies so as to advantageously provide for the present and future needs of the county and its communities, the commission shall develop and determine the sphere of influence of each local governmental agency within the county and enact policies designed to promote the logical and orderly development of areas within the sphere.

Spheres of Influence are established by the LAFCO to identify the physical boundaries and service areas of cities and special districts. Current LAFCO policy calls for territory to be included within a Sphere of Influence if that area will need urban services within the next ten to fifteen years. Spheres of Influence are required to be updated every five (5) years and are amended as conditions warrant. The intent of this policy is to promote the efficient, effective, and equitable delivery of local and regional services for existing and future residents through spheres of influence and to encourage a collaborative process with agencies.

A sphere of influence must be established for each city and district, regardless whether the sphere boundary is the same as the city or district boundary. There are several types of spheres of influence that the Commission may adopt. The SOI may or may not be conterminous, or identical, with the city or district boundary. A sphere of influence may also be larger or smaller than the agency's current boundaries.



A transitional sphere may also be established for an agency if LAFCO determines that the agency should reorganize with another agency or if LAFCO determines, based on a MSR and/or LAFCO staff analysis, that economies and efficiencies may be achieved if the agency examined innovative service provision alternatives with adjacent service providers.

Finally the Commission may establish a special study for a sphere or a portion of sphere if there is not enough information at that time to determine a sphere or if conditions are expected to change in the near future. LAFCO can also identify concerns and/or issues with boundaries or service provision which should be addressed by the agency by the next five year cycle of sphere updates. Designation of a special study or concerns raised during the MSR or sphere process will be followed by periodic updates to the Commission by the agency and/or LAFCO staff.

Nothing in these policy guidelines shall be interpreted to affect or change pre-existing approved entitlements or development agreements. These policies reflect recognition that each Sphere of Influence is unique and requires site specific planning and flexibility.

A section of this policy is applicable to areas within Orange County which may still be experiencing growth. That section, titled Developing Spheres of Influence, is the product of a facilitated dialogue between the league of California Cities-Orange County Division, the County of Orange, the Local Agency Formation Commission (LAFCO), and the Building Industry Association of Orange County to address projected growth and the provision of municipal and regional services in developing areas.

II. DEFINITIONS

- A. **"Sphere of Influence"** is a plan for the probable physical boundaries and service area of a local agency, as determined by the Commission (California Government Code §56076).
- B. **"Design Standards"** shall mean regulations pertaining to the location, height, bulk density, intensity, setback and size of buildings and structures, and local street widths.
- C. **"Developing Spheres of Influence"** shall mean the Spheres of Influence to be established by LAFCO based on the considerations set forth in the Sphere of Influence Policy Guidelines for areas experiencing substantial growth and development or redevelopment, for areas where LAFCO establishes a new SOI boundary, and for any newly incorporating cities.
- D. **"Developing Standards"** shall mean standards for Infrastructure, Public Safety Regulations, and Design Standards. Design Standards are not applicable to: 1) interim uses such as agriculture; or 2) public utilities.
- E. **"Infrastructure"** shall mean standards for street alignments and grades and arterial and primary widths, drainage and sanitary facilities, public utilities,



parks, public easements, and other public facilities, or fees in lieu thereof, which will be operated and maintained by a city upon annexation.

- F. **"New Communities"** shall mean areas designated as potential new cities through a joint LAFCO/County process.
- G. **"Public Safety Regulations"** shall mean building codes and regulations adopted pursuant to the provisions of Health and Safety Code.
- H. **"Sphere of Influence"** shall have the meaning as set for in Government Code Section 56076.
- I. **"Urban Level Municipal Services"** may include, but are not necessarily limited to, water, sewer, streets, street lighting, park and recreation services, building and zoning enforcement, animal control, law enforcement, fire protection, libraries, and crossing guards.
- J. **"Transitional Sphere of Influence"** may be applied to an agency which the Commission has determined may need to reorganize, merge, dissolve or consolidate with another agency or to an agency which the Commission thinks should examine service delivery alternatives at some point in the future. Annexations to an agency with a transitional sphere should be discouraged by the Commission.

III. PURPOSE OF SPHERES

A. Planning Tool for LAFCO and Local Agencies

A sphere of influence is a long-range planning tool that guides future LAFCO decisions on individual jurisdictional boundary changes, incorporation proposals, district formation, and proposals for consolidation, merger, or formation of subsidiary districts. Spheres of influence should be used to assist each public agency in planning the logical extension of its facilities and services through the designation of potential areas of annexation.

B. Coordinate Logical Extension of Public Services and Agency Boundaries

Adoption and update of spheres of influence should promote cooperative planning efforts among the county, cities, and districts and facilitate the logical and economical extensions of all their facilities and services. As such, spheres of influence should be conducted in conjunction with or after a municipal service review.

C. Assist Property Owners in Planning Comprehensively

Spheres of influence provide information to the property owner as to the ultimate service provider and timing of development for their property. Knowing the future service area of cities and special districts will facilitate good planning decisions for vacant, agricultural and open space land.



IV. POLICY GUIDELINES

A. Municipal Service Reviews

In accordance with state law (Government Code §56425), spheres of influence should be updated every five years. Spheres must be prepared in conjunction with or after completion of a related municipal service review (Government Code §56430). Orange County LAFCO will combine MSRs and sphere studies wherever practical and efficient to ensure maximum agency input and to ensure an open and inclusive process.

B. Annexation of Territory

Before territory can be annexed to a city or district, it must be within the agency's sphere (Government Code §56375.5). Spheres should be used to encourage development of territory adjacent to urban areas prior to annexation of other areas, especially agricultural and open space lands. However, because territory is within an agency's sphere does not mean that the area will necessarily be annexed. A sphere is only one of several factors that are considered by LAFCO when evaluating changes of government organization.

C. Consistency with General Plans in Designation of City Spheres

LAFCO must review the existing and future land uses of territory prior to including it within a city's sphere (Government Code §56425, factors to be considered) in order to determine the logical extension of urban services and the probable future boundary of a city or district. Territory will be considered for inclusion within a city's sphere if urban services are proven to be needed within the next 10 - 15 years. If an area is located within a city's sphere of influence, but not included in the city's general plan, prior to the territory being approved for annexation by the Commission, the territory should be included within the land use element of the city's general plan.

D. Encourage Efficient and Logical Formation of Government Agencies

LAFCO recognizes that urban populations require a broad range of community services and control; and that service needs often change as areas become more densely populated. The designation of spheres of influence should be used to promote efficient and accountable extensions of public services and to assist communities in determining service priorities, service levels, and service need. Spheres of influence should identify areas of potential service expansion as well as communities that could best be served by the consolidation, merger, or establishment of subsidiary districts.

E. Encourage Annexation of Unincorporated Islands

City spheres that include unincorporated islands of territory should be encouraged to annex the islands to the city. The Commission acknowledges



that unincorporated islands are generally costly for county government to serve and often have service impacts on the surrounding city. LAFCO discourages the formation of special districts within unincorporated islands for services that are readily available from the surrounding city.

F. Encourage Logical Annexations and Discourage Overlapping Service Areas

Phased urban development contributes to the orderly growth of urban areas. Territory placed within a city's sphere indicates that the city is the most logical provider of urban services for development. LAFCO encourages annexation of developing territory that is currently within a city's sphere to that city rather than to one or more single purpose special districts. LAFCO discourages the formation of special districts within a city's sphere. To promote efficient and coordinated planning among the county's various agencies, city spheres shall not overlap and districts that provide the same type of service shall not have overlapping spheres. An update of a city's sphere may also include a review and update of the special district spheres that serve the city or its sphere area.

V. PROCEDURE FOR DETERMINING NEW SPHERES OF INFLUENCE

Currently, all cities and districts within Orange County have a LAFCO designated sphere of influence. Therefore, this section affects the adoption of a sphere for incorporation of a city or the formation of a special district.

A. City Incorporation

The incorporation proponents are required to submit a proposed sphere of influence as part of their incorporation application. The proposed sphere boundary should be submitted on a map detailed enough to indicate parcels to be included or excluded from the sphere boundary. If the proposed sphere is larger than the proposed city boundary, the applicant must justify the inclusion of additional territory by considering the factors identified in this policy. LAFCO shall analyze the proposed sphere boundaries and possible alternative boundaries in conjunction with the incorporation proposal. The Commission shall use the factors identified in this policy as guidance for determining the proposed city's sphere. Land use designations of the county general plan shall be used to assist in determining the future need for urban level services of the sphere territory.

B. District Formation/Consolidations/Reorganizations

The district formation/consolidation/reorganization applicant is required to submit a proposed sphere of influence boundary for the proposed district or consolidation. If the proposed sphere is larger than proposed district boundary, the applicant must justify the inclusion of additional territory by considering the factors identified in this policy. The proposed sphere boundary should be submitted on a map (detailed enough to indicate parcels to be included or excluded from the sphere boundary) that shows the proposed



district boundaries and any other agencies' boundaries or sphere boundaries that are within close proximity to the proposed district.

VI. PROCEDURE FOR UPDATING SPHERES OF INFLUENCE

The Local Agency Formation Commission is required to review and update spheres of influence every five years prior to or in conjunction with Municipal Service Reviews (MSRs) and are required to be consistent with existing state laws (§56425 and §56430).

A. Initiation of a Sphere Update

A comprehensive update to an agency's sphere of influence may be initiated by direction of the Commission or by application of the agency. If submitted by the agency, the application should contain or reference a municipal service review. The information contained in the application may include but is not limited to:

1. Capital improvement plan
2. Location of existing services/ infrastructure
3. Level and range of services/ existing capacity
4. Population and growth trends for the subject area
5. Land use designations
6. Planned development
7. Natural topographical features
8. Special circumstances

In addition, the application should contain a map of the affected city or district and identification of the following:

1. Topography
2. Urban areas/major roadways
3. Open space and agricultural areas
4. Boundaries of adjacent cities and districts and each sphere designation

Upon submittal of the application, LAFCO staff will issue a letter indicating whether the application submitted is sufficient or if more information is required. If additional information is required, LAFCO staff will identify the



items necessary to make the application complete. Once staff review is complete, a public hearing will be set and the Commission shall consider the proposed sphere update.

B. Factors to be Considered

Government Code Section 56425 specifies the following four factors which must be considered when establishing or reviewing spheres of influence:

1. The present and planned land uses in the area, including agricultural and open space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services which the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the commission determines they are relevant to the agency.

In addition, the Commission shall consider the following criteria in determining a city's or special district's sphere of influence as appropriate:

- Water transmission mains and available capacity
- Sewerage facilities and capacity
- Level of police and fire protection
- Waste disposal services
- Parks and recreation opportunities
- Compatible street circulation
- Natural topographic features such as rivers, ridge lines, ravines, etc.
- Human-made barriers such as freeways, major streets, railroads, etc.
- General plans adopted by affected cities or county
- Existence of unincorporated "islands" in the area
- School districts, postal zones, and other special districts which give municipal type services
- Property owner concerns
- Fiscal impacts

These criteria are used to determine which city, if any, or district is the most capable of providing the necessary public facilities and services essential to urban development. In applying the above criteria the Commission's sphere



determinations will not be based on any single factor, but rather will include a composite consideration of all the factors that are applicable.

C. Factors to be Considered in Applying a "Transitional_Sphere of Influence"

For those agencies that the Commission has determined may need to be reorganized, merged, dissolved, or consolidated with another agency or for those agencies which the Commission believes will gain efficiencies and economies of scale if innovative service delivery alternatives are considered, the Commission may apply a "transitional sphere of influence." Generally, transitional spheres are applied to agencies comprising territory that is largely built-out, substantially similar to adjacent areas in land use patterns, in which no significant new services to the area are anticipated or in which alternative service provision alternatives should be examined.

A transitional sphere does not require the agency or LAFCO to initiate a reorganization, detachment or annexation proposal. However, it serves as an indicator that at some point in the future the agency may need to consider reorganizing its services or its functions with another agency. In addition, annexations to agencies with a transitional sphere should be discouraged.

LAFCO, according to Government Code Section §56375, has the authority to initiate reorganizations of special districts. Establishment of a transitional sphere of influence for a special district can be, but is not required to be, followed by a proposal from an affected agency or from LAFCO to initiate reorganizations proceedings. LAFCO encourages special districts with a transitional sphere of influence to examine reorganization options and to return to LAFCO with the results of their discussions and/or studies.

While establishing spheres of influence are the responsibility of LAFCO, it is acknowledged that changes in the boundaries of a city must originate with the City council or residents of that city. Designation of a transitional sphere for a city is a means of encouraging the city to discuss alternatives to existing service provision.

Prior to designating a transitional sphere for an agency, the Commission shall determine that a majority of the following have been met:

- The agency's present and future capacity to provide services is compromised by infrastructure, financing, regulatory and/or staffing constraints.
- All or a majority of the agency's services is contracted out to other service providers and an alternative service provider is capable of providing the same service to the area more efficiently.
- Potential economies of scale or efficiencies have been identified through the MSR process, sphere process and/or through staff analysis.



VII. POLICY GUIDELINES FOR “DEVELOPING SPHERES OF INFLUENCE”

The following policy guidelines concern development proposals within Developing Spheres of Influence. They do not apply to land covered by a pre-annexation agreement between a city and landowner.

- A. Cities should have the option to provide Urban Level Municipal Services to areas within Spheres of Influence where the city has a demonstrated willingness and ability to provide Urban Level Municipal Services. This section is not intended to address the provisions of services by independent special districts.
- B. Urban development should occur within existing cities, Spheres of Influence, or planned cities. Initiation of annexation into the city should occur at the earliest time in the planning process consistent with these policies. Initiation of annexation to a city should occur prior to the issuance of building permits.
- C. Spheres of Influence reflect a city’s demonstrated willingness and on-going ability to provide land use planning and to plan for and extend public services. This policy guideline acknowledges that LAFCO has sole authority to determine Spheres of Influence, and LAFCO concurrence is necessary for implementation of this guideline.
 1. In conjunction with LAFCO review of a city’s Sphere of Influence, the city must develop a plan of service consistent with the level of detail commonly found in General Plans for the proposed sphere area. The plan will include:
 - Land Use Designations
 - Location of existing services and infrastructure
 - Capital improvement and funding plans
 - Level and range of service proposed for the area
 2. It is anticipated that LAFCO would reevaluate a city’s Sphere of Influence on a priority basis and determine if the sphere shall be maintained, revised, or eliminated consistent with these policy guidelines if a city’s actions significantly alter the need for urban services or the provision of urban services within the sphere area.
- D. Through coordination with the cities and the County, LAFCO will periodically complete Sphere of Influence updates so that responsible agencies can develop general plans, ordinances, and procedures consistent with these policy guidelines.
- E. The public interest is served when the cities, the County and LAFCO acts to provide compatibility in land use planning and development standards. This collaboration assists LAFCO is establishing spheres in developing sphere areas. Development Standards applicable within Developing Spheres of Influence should allow consideration of the following:



1. City standards for Infrastructure improvements, including public parks, and Public Safety Regulations should be utilized.
2. City Design Standards will be the starting point of discussion between the city and the landowner for a development proposal. Cities and landowners will work cooperatively to achieve consensus by using flexibility, incentives, and other options to achieve agreement on the applicable Design Standards. In the event the city and landowner cannot agree on appropriate Design Standards, the County will make the final determination on the Design Standards which will apply based upon an evaluation of the legitimate objectives of the city and the landowner. Factors to be considered by the County shall include, but not be limited to, balancing the landowner's need for responsiveness to the marketplace with the city's need for consistency with the city's Design Standards.

Section 5(a) and (b) are intended to recognize that while the County will have ultimate responsibility for the application of Development Standards within a Developing Sphere of Influence, compatibility with City Infrastructure and Public Safety Regulations facilitates the ultimate annexation of the development to the city. It is anticipated that each city will identify development standards to be addressed at the time formal policies are considered for individual Sphere of Influence areas.

VIII. GUIDELINES FOR ANNEXATION INCENTIVES FOR DEVELOPING SHPERE AREAS

The following incentives are permissive options to address permit process time and cost and shall not be construed to apply to Development Standards and Designs Standards or negate a landowner's option to process all aspects of a development through the city or County.

A. Flexible Processing Options

The County and the city may each submit a development processing time and cost proposal for landowner consideration. Should the landowner wish a development proposal to be processed through the city, the County and city will pursue a cooperative agreement allowing the city processing prior to the effective date of annexation.

B. Pre-annexation agreements, which eliminate the need for the extension of Urban Level Municipal Services by the County will be considered a public benefit for the purposes of County development agreements.

C. To promote early annexation, the city will consider offering incentives including, but not limited to, the following:

- a. Pre-annexation planning and zoning
- b. Pre-annexation subdivisions
- c. Creative public financing opportunities



- d. Pre-annexation agreements
- e. Pre-annexation development agreements
- f. Financial incentives
- g. Phased annexations

IX. SCHEDULE FOR REVIEW OF ALL SPHERES OF INFLUENCE

A. The comprehensive update of an agency's sphere of influence should be conducted every five years prior to or in conjunction with the preparation of municipal service reviews. The sphere of influence process should strive to be as open and inclusive as well as maximizing opportunities for stakeholder input.